

# EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

No 12 — December 1981

Supplement A

## Recent economic trends

**Adjustment in progress.** — While a further small loss of output was recorded in the second quarter of 1981 ( $-0.7\%$ ), the most striking feature of the new quarterly national accounts data for the Community (see table below) is the pace of balance of payments adjustment underway in volume terms. Thus in the second quarter exports grew at an annual rate of  $11.6\%$  in volume, while domestic demand declined at an annual rate of  $4.6\%$ . This follows a similar movement in the first quarter of this year. With the continuing decline in import volumes, the overall foreign balance in goods and services contributed a positive  $4\%$  to GDP growth in the second quarter of 1981, just insufficient to offset the decline in production for domestic demand. A longer-term view of these developments is provided in Graph 6, which shows the movements of all the demand components, industrial production, the GDP deflator and the private consumption deflator since 1972. A comparison of the 1980-81 recession with the 1974-75 downturn shows that by the second quarter of 1981, GDP had been flat for approximately the same length of time, some 5 quarters, while domestic demand had been flat for a much shorter time. The role of the stock cycle in the recent experience is also clear, as is the sharp improvement in the foreign balance between the middle of 1980 and the second quarter of 1981 (the latest quarter for which complete data are available). Provisional figures for the third quarter suggest that GDP in the Community rose by  $1\%$  at an annual rate.

### Major supply and demand components at constant prices, EC total

Percentage change on preceding period, annual rates; seasonally adjusted

	GDP <sup>1</sup>	Imports <sup>2</sup>	Exports <sup>2</sup>	Foreign Balance <sup>2,3</sup>	Domestic demand	Change in stocks <sup>3</sup>	Gross fixed investment	Government consumption	Private consumption
1978 Q1	3.6	4.2	5.1	0.3	3.4	-1.5	3.7	5.7	5.2
Q2	5.5	9.5	8.2	-0.2	5.8	1.1	7.9	1.7	4.5
Q3	1.3	11.4	-0.3	-2.7	4.2	0.6	2.2	3.2	4.2
Q4	5.8	11.1	11.0	0.1	5.8	2.4	5.7	2.9	2.6
1979 Q1	1.3	6.4	-1.1	-1.8	3.2	0.9	-6.3	2.3	5.4
Q2	5.7	20.6	14.5	-1.3	7.1	-1.6	18.7	1.9	8.0
Q3	2.5	13.3	5.4	-1.9	4.5	4.6	9.1	1.1	-3.5
Q4	5.7	7.1	5.5	-0.4	6.1	0.6	9.0	2.7	5.3
1980 Q1	4.5	11.5	13.8	0.5	4.0	-0.5	4.7	3.6	4.9
Q2	-6.2	-6.2	-12.7	-1.9	-4.4	-1.5	-5.3	3.0	-3.9
Q3	-1.1	-3.3	-6.1	-0.8	-0.4	-2.2	-3.3	3.4	3.3
Q4	0.8	-5.2	2.7	2.2	-1.3	-2.2	2.2	-1.7	1.2
1981 Q1	-0.3	-2.0	9.7	3.0	-3.3	-2.6	-8.1	8.4	-0.6
Q2	-0.7	-3.5	11.6	4.0	-4.6	-3.5	1.4	-4.6	-1.0

<sup>1</sup> Germany: GNP.

<sup>2</sup> Goods and services; including intra-Community trade; Germany: including factor incomes.

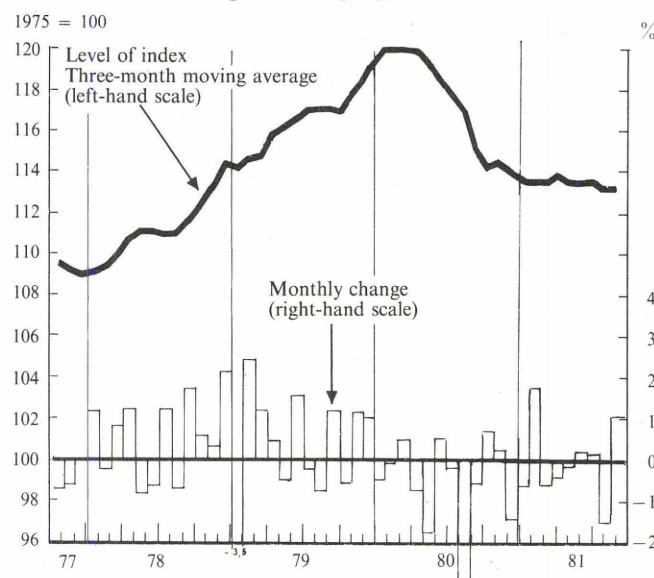
<sup>3</sup> Change on previous period as percent of previous period's GDP.

Source: Estimates by the Commission services based on national accounts data for the Federal Republic of Germany, France, Italy and the United Kingdom; United Kingdom 1981: Estimates of Commission services.

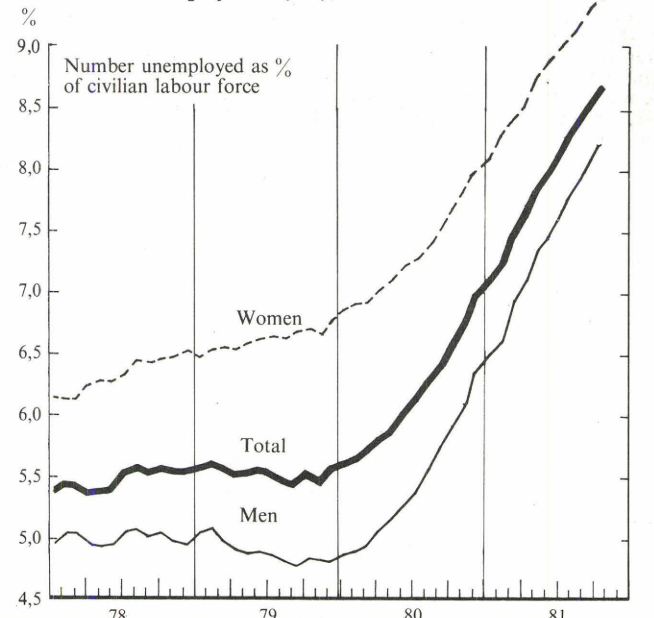
**Upturn in industrial production in September.** — Industrial production in the Community (seasonally adjusted) rose by  $1.1\%$  in September. This was, however, insufficient to offset the fall of  $1.4\%$  which occurred in August and the underlying trend, as measured by the three monthly moving average (seasonally adjusted), remained unchanged in September. In Italy, the sharp decline in August was followed by a large rise in September and in the Federal Republic of Germany the rise in September followed similar increases the two preceding months. In other Member States the trend is more hesitant but the change over 12 months nevertheless is now positive in all countries (Table 1 and graph 1).

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GRAPH 1: Industrial production (s.a.), EC-10



GRAPH 2: Unemployment (s.a.), EC-9



**Unemployment continues to rise.** — The unemployment rate in the Community seasonally adjusted, rose by a further 0,2% points in October to reach 8,7% of the civilian labour force. This latest rise of 214 000 (about the same as in September), brings the total number of unemployed in the Community as a whole to nearly 9,7 million. In general, unemployment is rising fastest in Member States where the unemployment rate has been the lowest: the Federal Republic of Germany, 54% up on 12 months previous, the Netherlands, 54% up, and Luxembourg, 47% up. The exception to this is the United Kingdom where unemployment is the second highest in the Community (11,6%) yet still 45% higher than twelve months ago. In the other Member States with high unemployment rates; Belgium (12,3%), Ireland (10,8%) and Italy (9,0%), the year-on-year rises are now relatively low.

**Inflation trend marginally down.** — Although the monthly rise in the Community consumer price index of 1,1% in October was higher than the figures recorded in August and September the six month trend rate, seasonally adjusted and expressed at an annual rate, dipped further under 12½% (due to the exclusion of the high April increase). No particular factors influenced Community prices uniformly in October although energy prices moderated the index in the Benelux countries and the Federal Republic of Germany, while increases in milk and meat prices boosted the index in the former countries. Higher food prices were also a factor in the United Kingdom together with increased housing costs, while cheaper bus and rail fares tended to hold down the month to month rise. The moderation in the Danish inflation rate in October was principally caused by seasonal movements while in Italy the sharp increase in the monthly rate to 2% was mainly due to the timing of increases in administered prices and postal and telegraph charges as well as higher cigarette prices. In France rises in rents and the prices of health services were major factors in the 1,2% rise in October. In Greece the month-to-month increase slowed down to 2,6% reflecting in part the strong seasonal fluctuation in certain prices; the change over twelve months remained at 25%.

**Trade deficit widens in August.** — According to Commission estimates, the Community's trade balance (cif-fob) deteriorated slightly in August, the deficit going above 3 000 million ECU. However, the trend expressed in the form of a three-month moving average has remained favourable (see Graph No 4). The out turn for August confirmed the deterioration in the Belgian trade balance since June. In September, the Netherlands achieved a substantial trade surplus while the Italian deficit widened. In October, the Federal Republic of Germany recorded a very large surplus—the biggest ever, in unadjusted terms.

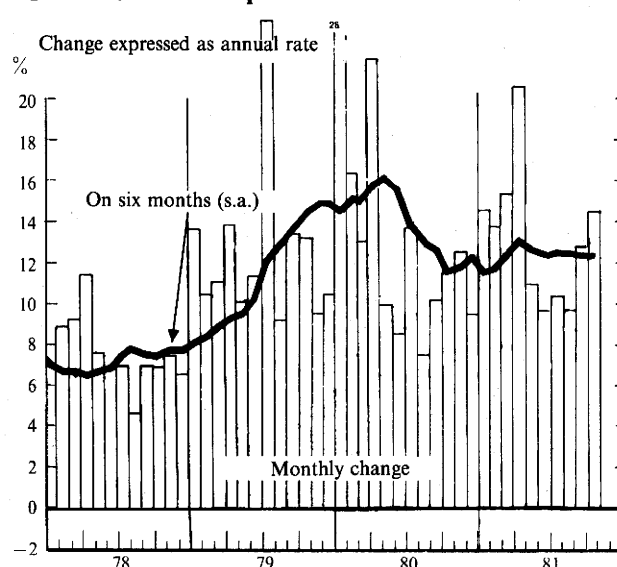
**Divergent monetary trends.** — In August the average rate of monetary expansion in the Community was close to the July figure. In the last few months, the Member States have nevertheless moved farther apart in terms of liquidity creation. Since the summer, monetary expansion has slowed down in the Federal Republic of Germany and in October the money supply fell; but in the United Kingdom, where the growth rate for sterling M3 in October was 1,6%, the monetary target for this aggregate is still being well overshot. Denmark and Ireland have seen the monthly rate of change of their monetary aggregate fluctuate significantly: in Ireland money supply increased considerably in July and August and then contracted in the following two months because of large foreign exchange operations.

**Interest rates continue to ease.** — The drop in interest rates continued in the United States throughout November, a period in which the 13-week Treasury Bill rate fell 3 points. In the Community interest rates did not ease so sharply and the short-term money rate became relatively stable in the second half of the month, particularly in the Federal Republic of Germany and France. Ireland, by contrast, recorded a small rise in her short-term rate. The Community average as a whole was back to under 15%, for the first time since May. On the long-term capital market, October saw yields decline in all the Member States except Ireland and this trend was generally maintained in November.

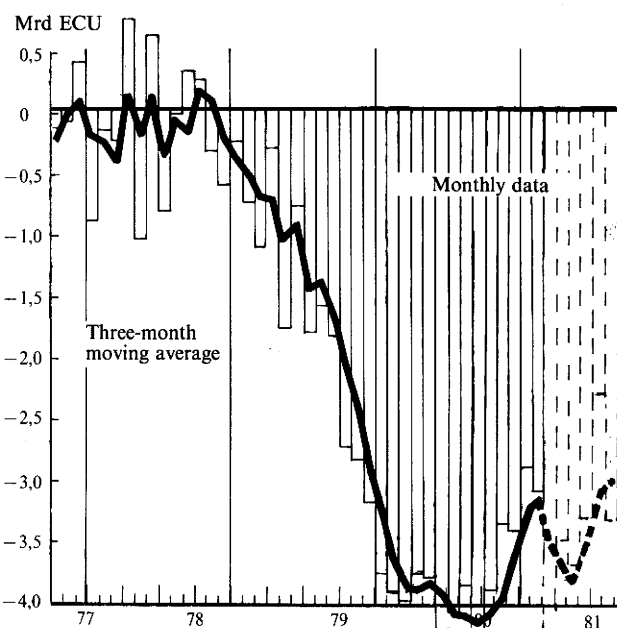
**Sterling makes significant gains.** — After recovering markedly against the dollar at the beginning of November, the ECU fell back slightly in the middle of the month to strengthen in the closing days of November. On average for the month, the ECU gained 1,2% on the United States currency. However, the yen firmed against the European currencies. As United States rates declined, sterling, helped by the re-emergence of a favourable interest rate differential, moved up markedly, gaining 2% against the ECU. Within the EMS exchange rate mechanism, the French franc and the Italian lira weakened slightly and the Belgian franc came under downward pressure at the end of the month. The Danish krone stayed at the top and the German mark at the bottom of the exchange rate system. Despite the dollar's fall, the effective exchange rate of the ECU declined slightly in November, mainly because the yen started to move up once again.

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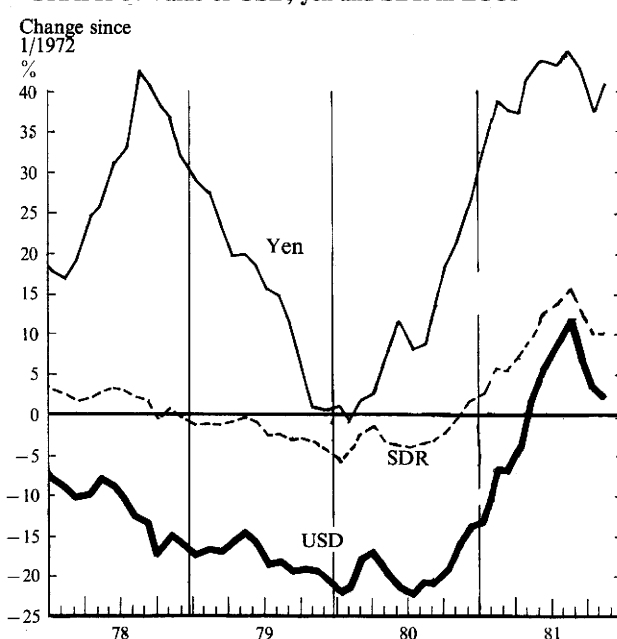
**GRAPH 3: Consumer prices EC-10**



**GRAPH 4: Trade balance (s.a.), EC-9**

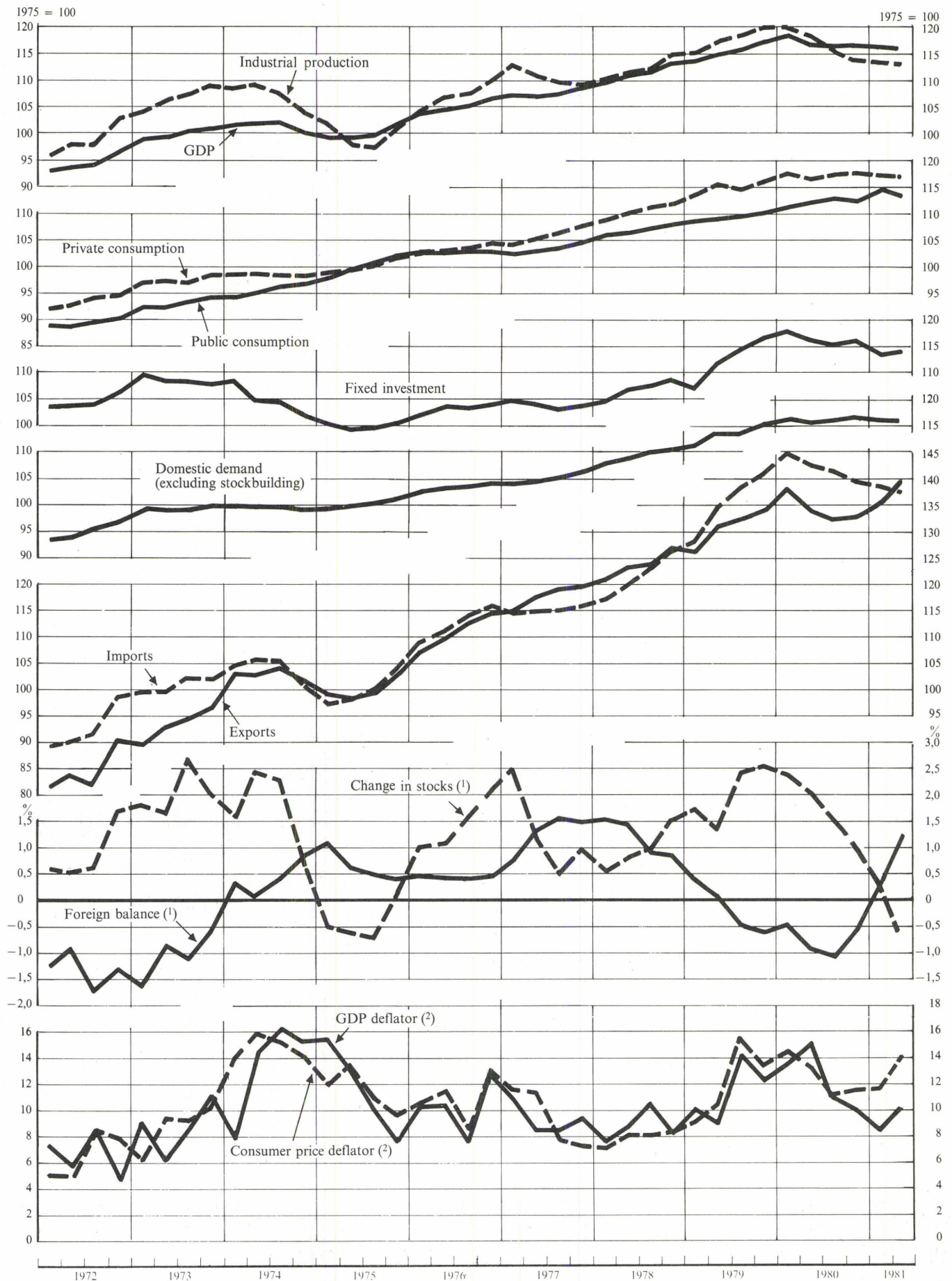


**GRAPH 5: Value of USD, yen and SDR in ECUs**





Graph 6: Major supply and demand components (1975 prices) and price developments, EC total



(1) Percent of GDP.  
(2) Annual rates, seasonally adjusted.

Source Estimates by the Commission services based on national accounts data for the four major EC Member States.

TABLE 6: Money supply<sup>8</sup> - Percentage change on preceding period (s.a.)

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
B (M2)	13.4	9.9	9.7	6.1	2.7	0.3	1.3	0.8	3.5	1.4	1.1	0.1	1.4	-0.2	3.6	-2.0	0.7	6.3
DK (M2)	11.4	9.8	6.7	9.9	10.9	2.0	5.3	2.3	2.6	1.4	1.2	0.3	0.8	0.4	0.3	0.3	-0.6	11.1
D (M3)	8.4	11.1	11.0	6.0	6.2	1.0	2.5	1.3	2.3	1.0	2.1	1.4	0.5	1.6	1.5	1.5	1.5	6.5
F (M2)	12.8	13.9	12.2	14.4	9.7	2.3	2.4	3.7	3.9	1.9	2.1	1.4	0.2	1.6	1.5	1.5	1.5	14.6
IRL (M3)	14.3	16.3	28.7	19.0	16.9	6.8	3.8	4.5	1.8	6.0	1.2	0.7	-0.2	3.2	4.0	-1.2	-0.7	15.4
I (M2)	20.8	21.8	22.8	20.4	12.3	1.8	5.3	2.1	1.5	1.5	0.1	0.4	1.1	0.0	0.8	1.5	1.5	10.6
NL (M2)	22.7	3.6	4.2	7.0	3.6	0.7	0.6	4.1	0.8	1.5	0.3	1.5	-1.0	1.0	-0.1	1.0	1.0	6.7
UK (EM3)	11.3	9.3	13.3	11.7	19.6	7.7	4.9	1.7	4.2	5.3	2.3	1.6	0.2	2.2	1.0	2.0	1.6	15.8
EC 9 <sup>9</sup>	12.9	12.3	12.7	11.0	9.7	2.5	3.1	2.3	2.8	1.5	1.4	0.9	0.6	(1.0)	(0.8)	1.5	1.5	(10.9)
USA (M2)	14.1	10.8	8.3	8.8	9.6	3.5	1.5	2.9	1.8	(2.1)	1.1	0.3	0.3	0.6	1.0	0.5	1.5	8.5
JAP (M2)	13.5	11.1	13.1	9.1	7.2	0.9	2.1	2.3	3.7	2.1	0.7	3.2	0.7	0.9	0.9	0.2	1.5	10.0

TABLE 7: Short-term interest rates<sup>10</sup>

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	May	June	July	August	Sept.	Oct.	Nov.	
B	10.0	7.6	7.3	10.1	14.2	12.6	13.1	17.0	15.3	16.0	16.9	15.3	16.5	16.0	16.0	15.8	15.0	2.0
DK	10.3	14.5	15.4	12.5	16.9	17.9	12.0	15.2	18.1	20.6	13.1	18.1	18.3	17.0	20.6	17.4	8.8	-1.5
D	4.2	4.4	3.7	6.7	9.5	9.2	10.2	13.4	13.0	12.3	13.4	13.0	13.0	12.9	12.3	11.7	10.8	1.1
F	8.8	9.3	8.1	9.5	12.4	12.6	11.6	12.9	18.1	18.7	18.1	18.1	17.0	17.6	18.7	15.6	15.4	4.0
IRL	11.8	8.4	9.9	15.9	16.3	13.6	13.6	14.6	15.8	18.9	15.9	15.8	17.4	17.4	18.9	18.3	18.8	5.1
I	17.6	14.5	11.3	11.5	15.9	14.8	16.8	19.0	19.3	19.8	20.0	19.3	20.0	20.8	19.8	21.4	18.3	4.4
NL	7.1	4.8	6.6	9.5	10.6	10.3	9.4	10.3	11.8	12.9	12.2	11.8	13.3	13.8	12.9	12.9	11.3	1.3
UK	10.6	8.1	8.3	13.7	16.8	15.9	14.9	12.6	12.7	16.9	12.5	12.7	14.7	14.1	16.9	16.5	15.0	0.4
EC 9 <sup>9</sup>	7.5	8.0	7.2	9.6	12.7	12.3	12.3	13.8	15.2	16.0	15.4	15.2	15.5	15.6	16.0	15.1	(14.4)	(2.4)
USA	5.0	5.3	7.2	10.1	11.4	10.5	14.6	12.9	14.1	14.2	15.6	14.1	15.2	15.8	14.2	13.2	10.2	-4.1
JAP	6.2	5.1	5.9	10.7	10.7	11.3	9.4	7.4	7.3	7.2	7.5	7.3	7.1	7.3	7.2	7.3	7.3	-2.3

TABLE 8: Long-term interest rates<sup>11</sup>

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
B	9.0	8.8	8.5	9.7	12.2	12.4	13.0	13.6	14.2	14.0	13.5	13.9	14.2	14.0	14.1	14.0	13.8	1.2
DK	13.6	16.6	16.7	15.9	18.9	18.9	18.4	18.4	19.4	20.3	19.0	19.4	19.4	20.1	20.2	20.3	19.1	1.4
D	7.8	6.2	5.7	7.4	8.5	8.1	8.9	10.3	10.9	11.1	10.2	10.8	10.9	11.0	11.2	11.1	10.4	2.1
F	10.5	11.0	10.6	10.0	13.7	13.9	14.3	15.0	17.3	17.1	15.0	17.3	17.3	17.1	17.0	17.1	17.0	2.7
IRL	14.7	12.9	12.8	14.9	15.4	14.6	15.6	16.1	17.2	18.2	16.6	17.0	17.2	17.4	17.6	18.2	18.2	3.4
I	12.5	15.2	14.2	14.3	16.4	17.0	17.9	18.4	18.4	21.1	18.9	18.6	18.4	19.2	20.1	21.1	21.1	4.1
L	7.2	7.0	6.6	6.8	7.4	7.5	7.9	8.0	8.7	9.2	8.3	8.7	8.7	8.9	9.0	9.2	9.2	1.6
NL	9.0	8.1	7.7	8.8	10.2	10.3	10.5	11.4	11.4	12.3	11.3	11.9	11.4	11.6	12.1	12.3	12.2	1.9
UK	14.4	12.7	12.5	13.0	13.8	13.3	13.8	13.4	14.7	16.1	13.8	14.2	14.7	15.0	15.2	16.1	16.0	2.8
EC 9 <sup>9</sup>	10.4	10.1	9.7	10.3	12.2	12.2	12.7	13.5	14.5	15.1	13.6	14.4	14.5	14.6	14.9	15.1	(14.8)	(2.5)
USA	6.8	7.1	7.9	8.7	10.8	10.9	11.9	12.2	12.4	14.1	12.6	13.0	12.4	13.1	13.6	14.1	14.1	2.9
JAP	8.7	7.3	6.1	7.7	9.2	9.2	9.4	8.3	8.8	9.0	8.4	8.8	8.8	8.9	9.2	9.0	(9.0)	(0.1)

TABLE 9: Value of ECU — 1 ECU = units of national currency or SDRs

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
BFR/LFR	43.17	40.88	40.06	40.17	40.60	40.44	41.07	41.61	41.42	41.07	41.41	41.37	41.29	41.15	40.76	40.81	41.02	-0.3
DKR	6.76	6.86	7.02	7.21	7.83	7.81	7.86	7.97	7.98	7.88	7.98	7.96	7.91	7.91	7.81	7.84	7.87	-0.1
DM	2.82	2.65	2.56	2.51	2.53	2.53	2.56	2.57	2.54	2.51	2.54	2.53	2.52	2.52	2.49	2.44	2.44	-4.6
DR	40.89	42.04	46.80	50.78	59.24	61.43	60.36	61.43	61.83	61.47	61.80	61.81	61.63	61.62	61.17	61.48	61.82	3.1
FF	5.34	5.61	5.74	5.83	5.87	5.86	5.92	5.98	6.03	5.99	6.08	6.03	5.99	6.02	5.96	6.10	6.17	4.0
IRL	0.622	0.654	0.664	0.669	0.676	0.671	0.684	0.695	0.694	0.688	0.694	0.692	0.691	0.689	0.683	0.687	0.690	0.7
LIT	930	1 007	1 080	1 138	1 189	1 200	1 213	1 233	1 263	1 254	1 263	1 261	1 255	1 252	1 255	1 293	1 306	7.6
HFL	2.96	2.80	2.75	2.75	2.76	2.75	2.77	2.81	2.81	2.79	2.82	2.81	2.81	2.80	2.76	2.70	2.68	-3.4
UKL	0.622	0.654	0.664	0.646	0.598	0.597	0.562	0.534	0.536	0.562	0.530	0.539	0.551	0.553	0.582	0.589	0.577	3.7
USD	1,118	1,141	1,274	1,371	1,391	1,423	1,340	1,233	1,116	1,033	1,107	1,066	1,034	1,007	1,057	1,086	1,099	-17.7
YEN	331.2	305.8	267.1	300.5	315.0	312.8	282.1	253.1	245.0	239.1	244.1	238.7	239.9	235.1	242.4	251.1	245.3	-13.7
SDR	0.968	0.977	1.018	1.061	1.068	1.078	1.042	0.992	0.943	0.911	0.939	0.921	0.910	0.898	0.925	0.941	0.942	-9.5

TABLE 10: Effective exchange rates: export aspect<sup>12</sup> - Percentage change on preceding period

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B/L	2.1	6.1	3.7	1.5	-0.5	0.2	-3.2	-2.6	-1.4	-0.9	-0.8	-0.9	-0.6	0.1	1.8	0.7	-0.4	-3.6
DK	2.2	-0.4	0.4	-0.9	-8.2	0.5	-3.5	-3.5	-2.5	-0.1	-1.7	-0.4	-0.3	-0.2	3.5	0.9	-0.6	-3.9
D	5.8	8.6	6.8	5.1	0.3	-0.1	-4.1	-2.6	-1.2	-1.1	-1.8	-0.9	-0.7	-0.3	2.9	3.6	-0.1	0.1
F	-3.6	-4.8	-1.1	0.6	0.3	0.3	-3.2	-3.0	-3.1	-1.1	-2.9	-0.1	-0.3	-0.8	2.3	-1.7	-1.1	-8.6
IRL	-10.2	-2.9	1.4	0.4	-3.0	0.3	-6.2	-4.1	-2.1	0.2	-1.8	-0.3	-0.9	1.0	3.8	0.5	-0.9	-4.4
I	-17.0	-8.1	-5.8	-3.2	-3.7	-1.3	-3.4	-3.8	-4.9	-1.3	-1.3	-1.1	-0.4	-0.2	0.9	-2.2	-1.1	-12.4
NL	2.8	5.8	3.0	1.7	0.0	0.7	-2.3	-2.7	-2.0	-0.4	-1.3	-0.5	-0.5	0.2	2.2	3.1	0.7	-0.2
UK	-14.7	-4.6	1.3	6.4	10.2	2.4	4.9	0.9	-3.8	-6.4	-0.3	-3.3	-0.1	-4.5	-3.6	0.3	2.1	-10.6
ECU	-8.3	1.5	4.5	5.7	1.9	0.4	-4.6	-6.3	-5.7	-4.4	-3.6	-2.5	-1.5	-1.6	3.3	2.1	-0.4	-12.3
USA	5.2	-1.2	-9.7	-2.6	0.1	-2.7	3.0	3.4	7.4	5.6	3.9	2.4	2.4	2.1	-3.1	-1.0	-1.7	12.6
JAP	4.5	10.9	21.5	-6.9	-4.1	4.0	7.3	6.5	-2.0	-1.8	0.1	0.1	-2.4	1.0	-0.3	-1.9	2.8	4.4

<sup>8</sup> National sources for the Federal Republic of Germany, France, Ireland and the United Kingdom; seasonally adjusted by Eurostat for Denmark, Italy, The Netherlands and Belgium.

<sup>9</sup> Average weighted by 1978 GDP at current prices and current exchange rates. For the money supply the monthly variation is calculated using linear interpolation of quarterly data for Belgium.

<sup>10</sup> National sources; EC excluding Luxembourg; three-month interbank rate except: Denmark, call-money rates on the money market (monthly average); Italy, yield of three-month Treasury bills; Belgium, yield at issue of four-month certificates issued by the Fonds des Rentes. Annual average, end of quarter and end of month.

<sup>11</sup>



TABLE 1: Industrial production<sup>1</sup> - Percentage change on preceding period (s.a.)

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	8,1	0,4	2,4	4,3	-1,0	-2,9	-4,0	2,8	0,6	-2,0	-1,0	-0,8	2,5	2,1	-6,1	2,1	2,0	3,1
DK	9,3	0,8	2,3	3,6	0,2	-1,3	-1,6	2,3	-0,7	:	1,1	-0,3	-4,9	5,3	3,3	-7,2	:	2,5
D	7,4	2,8	2,0	5,5	-0,8	-1,8	-0,9	0,9	0	0	-2,7	0,9	0	-2,8	1,9	0,9	0,9	1,0
GR	10,5	2,0	7,6	6,1	1,0	-1,1	-1,4	-2,3	:	:	-0,5	-0,7	4,6	:	:	:	:	1,1
F	9,7	1,6	1,6	4,7	-0,7	0,8	-2,7	-4,4	-0,3	2,4	4,9	-2,4	-0,8	1,6	1,6	0	0	1,5
IRL	8,8	9,2	8,1	6,1	-1,7	-5,1	-1,9	3,7	1,6	:	-4,4	3,4	0,2	-0,7	4,7	-4,2	:	0,6
I	11,6	0	2,1	6,7	5,0	-7,6	5,2	0,8	-2,6	-4,3	-0,9	-0,4	-5,9	0,1	3,1	-15,7	18,2	1,1
L	3,8	0,5	3,2	3,4	-3,3	-7,5	-1,3	-4,9	1,6	1,1	0,2	-4,6	8,5	-1,8	-1,2	1,8	-0,7	0,2
NL	8,0	0	0,9	2,8	-0,2	-4,2	3,7	0,6	-3,3	-0,6	-4,3	0	-1,8	0	3,7	-4,5	-1,9	0
UK	2,7	4,7	3,3	3,8	-6,9	-2,9	-2,2	-0,8	0	1,0	-0,1	-0,4	-0,8	1,8	0,1	-0,2	0,5	0,2
EC 10	7,4	2,4	2,4	4,9	-0,9	-2,6	-1,3	-0,3	-0,2	-0,2	-0,6	-0,4	-0,1	0,3	0,2	-1,5	1,1	0
USA	10,2	6,5	5,7	4,4	-3,6	-1,7	4,9	2,0	0,5	0,3	0,2	-0,1	0,5	0,1	0,6	-0,3	-1,2	5,0
JAP	11,1	4,1	6,2	8,3	7,0	-2,0	1,6	1,6	-0,3	1,2	-0,7	0,3	-1,8	2,6	1,0	-2,6	3,8	5,3

TABLE 2: Unemployment rate - Number of unemployed as percentage of civilian labour force (s.a.)

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
B	6,8	7,8	8,4	8,7	9,4	9,5	10,1	10,6	11,3	12,0	11,1	11,2	11,5	11,8	12,0	12,2	12,3	21,4
DK <sup>3</sup>	4,7	5,8	6,5	5,3	6,2	6,1	7,3	8,0	8,3	8,1	8,5	8,2	8,1	8,1	(8,1)	(8,2)	(8,4)	(17,0)
D	4,1	4,0	3,9	3,4	3,4	3,5	3,8	4,2	4,6	5,1	4,4	4,6	4,7	5,0	5,1	5,2	5,5	53,8
GR	4,3	4,8	5,2	6,0	6,4	6,4	6,6	7,1	7,5	7,9	7,4	7,5	7,6	7,8	7,8	8,1	8,3	26,3
IRL	9,4	9,2	8,4	7,4	8,3	8,6	9,4	9,9	10,3	10,6	10,2	10,2	10,4	10,5	10,5	10,8	10,8	16,5
I	5,6	6,4	7,1	7,5	8,0	8,0	8,1	8,3	8,6	8,8	8,5	8,6	8,7	8,8	8,8	8,9	9,0	11,5
L	0,3	0,5	0,7	0,7	0,7	0,7	0,8	0,9	0,9	1,0	0,9	0,9	0,9	0,9	0,9	1,1	1,1	47,2
NL	4,3	4,1	4,1	4,1	4,8	4,9	5,6	6,2	6,9	7,7	6,7	6,9	7,2	7,5	7,6	7,8	8,2	53,6
UK	5,3	5,7	5,7	5,3	6,9	7,1	8,3	9,4	10,3	11,1	10,0	10,4	10,6	10,7	11,0	11,4	11,6	44,9
EC 9	4,9	5,3	5,5	5,5	6,2	6,2	6,8	7,3	7,8	8,3	7,6	7,8	8,0	8,2	8,3	8,5	8,7	31,6
USA	7,7	7,0	6,0	5,8	7,1	7,5	7,5	7,4	7,4	7,2	7,3	7,6	7,3	7,0	7,2	7,5	8,0	7,2
JAP <sup>4</sup>	2,0	2,0	2,2	2,1	2,0	2,0	2,2	2,2	2,3	2,2	2,3	2,4	2,3	2,2	2,1	2,2	2,3	7,9

TABLE 3: Consumer price index - Percentage change on preceding period

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
B	9,2	7,1	4,5	4,5	6,6	1,8	2,2	2,2	0,8	2,6	-0,1	-0,1	0,6	1,6	0,5	0,9	0,4	7,8
DK	9,0	11,1	10,1	9,6	12,4	2,9	1,9	2,6	4,3	2,4	1,2	1,6	1,0	0,7	0,4	0,8	0,5	11,8
D	4,3	3,7	2,7	4,1	5,5	0,7	0,8	2,2	1,8	1,2	0,7	0,4	0,5	0,4	0,3	0,5	0,3	6,7
GR	13,3	12,2	12,5	19,0	24,9	1,8	7,8	7,3	5,4	1,9	2,0	1,2	1,8	-0,5	-0,8	4,3	2,6	25,4
F	9,6	9,5	9,3	10,7	13,6	3,2	2,8	2,9	3,3	3,9	1,3	0,9	1,0	1,7	1,3	1,2	1,2	14,1
IRL <sup>5</sup>	17,9	13,7	7,7	13,2	18,2	2,9	3,1	6,2	3,9	5,6	(1,3)	(1,3)	(1,9)	(1,9)	(1,9)	:	:	20,1
I	16,8	17,0	12,2	14,8	21,2	4,3	5,3	5,2	4,4	3,0	1,3	1,6	1,1	0,6	0,9	1,4	2,0	19,0
L	9,8	6,7	3,1	4,5	6,3	1,0	1,9	2,4	2,2	2,0	0,6	0,8	1,0	0,5	0,4	0,9	0,3	8,8
NL	9,0	6,4	4,2	4,3	7,0	1,1	1,5	1,5	2,3	1,6	1,1	0,5	0,1	0,7	0,3	1,2	0,9	7,5
UK	16,5	15,9	8,3	13,4	18,0	2,1	1,9	2,4	4,9	1,7	2,9	0,6	0,5	0,5	0,7	0,6	0,9	11,7
EC 10	10,8	10,5	7,6	10,2	14,1	2,5	2,7	3,2	3,6	2,5	1,6	0,9	0,8	0,8	0,7	1,0	1,1	12,8
USA	5,8	6,5	7,6	11,5	13,5	1,9	2,6	2,6	2,3	2,9	0,4	0,7	0,9	1,2	0,7	1,0	(0,4)	(10,3)
JAP	9,3	8,1	3,8	3,6	8,0	1,2	1,0	1,1	1,6	0,3	0,8	0,9	0,1	-0,3	-0,6	1,6	0,4	4,1

TABLE 4: Volume of retail sales - Percentage change on preceding period (s.a.)

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
B	5,7	1,2	2,3	3,9	0,1	-0,7	-0,6	-3,2	1,7	:	6,3	-3,6	5,1	-2,6	:	:	:	-4,4
DK	4,8	1,1	-2,4	2,2	-1,5	-1,0	0,4	-0,3	0,1	:	4,7	-2,3	-3,8	7,0	:	:	:	3,9
D	3,8	3,1	2,8	2,6	0,3	2,0	0,2	-1,5	-2,3	:	2,8	-2,6	-1,0	4,1	:	:	:	-3,4
GR	:	:	:	:	2,9	5,8	-3,4	-2,2	:	:	:	:	:	:	:	:	:	-6,0
F	2,9	0,1	2,1	2,3	-0,4	1,4	2,0	-1,8	0,5	1,7	4,5	-3,9	2,0	3,0	-2,7	1,9	2,3	3,8
IRL	2,6	4,9	8,8	3,4	-0,8	-2,4	4,1	0	1,2	:	-0,6	-3,3	0,2	3,7	:	:	:	7,2
I	3,5	2,9	2,6	7,3	3,6	1,5	-0,5	0,8	-0,3	:	7,4	-4,0	0,2	1,1	:	:	:	-2,6
NL	2,2	4,7	4,7	-0,3	-4,1	-1,2	-1,8	0,2	-1,3	:	6,8	-2,9	-2,3	7,3	:	:	:	0,2
UK	-0,1	-1,7	5,6	4,8	0,6	-0,3	0,2	3,4	-1,4	:	0,0	-0,7	1,0	-1,8	:	:	:	0,2
EC 9 <sup>6</sup>	2,7	1,5	3,2	3,6	0,5	1,0	0,3	-0,2	-0,9	:	3,8	-2,8	0,4	1,8	:	:	:	-0,9
USA	6,1	6,5	3,3	0,3	-4,6	1,7	0,1	2,5	-1,3	0,6	-2,0	-0,6	1,8	-0,8	0,7	(0,5)	:	(1,2)
JAP	-1,9	8,2	6,5	-4,1	-8,4	-2,5	-1,6	-3,2	-3,2	:	-0,5	-2,6	-0,8	(2,3)	:	:	:	(-6,9)

TABLE 5: Trade balance - fob/cif, million ECUs (s.a.)

	1976	1977	1978	1979	1980	1980		1981			1981							Change over 12 months % <sup>2</sup>
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
B/L	-2 375	-2 526	-2 890	-3 020	-5 172	-1 278	-1 391	-1 960	-1 367	:	- 610	- 360	- 397	- 641	- 872	:	:	- 610
DK	-2 954	-2 801	-2 198	-2 904	-1 911	- 440	- 313	- 270	- 333	:	- 143	- 185	- 4	- 184	- 21	:	:	+ 42
D	12 243	14 514	15 934	8 933	3 545	835	501	169	2 365	3 149	1 028	646	691	1 690	395	1 063	1 660	+1 440
GR	-3 131	-3 588	-3 347	-4 187	-3 906	- 928	-1 131	- 562	:	:	553	:	:	:	:	:	:	- 249
F	-7 732	-6 117	-4 097	-6 195	-16952	-4 558	-4 764	-4 321	-4 068	-4 263	-1 337	-1 095	-1 636	-1 607	- 785	-1 871	:	- 339
IRL	- 772	- 876	-1 132	-1 955	-1 898	- 390	- 553	- 593	- 583	- 739	- 229	- 163	- 191	- 307	- 168	- 264	:	- 134
I	-5 981	-2 444	- 336	-4 103	-15696	-5 288	-4 654	-3 953	-4 757	-3 548	-1 678	-1 973	-1 107	- 773	-1 238	-1 537	:	+ 431
NL	3 117	-1 687	-2 540	-2 619	-2 184	- 815	- 710	- 149	- 259	311	- 92	- 65	- 102	69	- 10	252	:	+ 454
UK	-8 664	-5 246	-5 248	-8 705	-3 590	- 551	779	:	:	:	:	:	:	:	(- 520)	:	:	(- 489)
EC 9 <sup>7</sup>	-15919	-7 184	-2 508	-20804	-43859	-12410	-10751	(- 10500)	(- 10600)	:	(- 3 500)	(- 3 700)	(- 3 300)	(- 2 300)	(- 3 300)	:	:	(+ 500)
USA	-13189	-31907	-31014	-27146	-26113	-3 792	-5 387	-7 210	-8 989	-9 529	-2 950	-3 112	-2 929	-1 416	-5 676	-2 437	-4 853	-3 387
JAP	2 171	8 488	14 285	-5 574	-7 700	-1 186	- 156	376	2 273	3 553	679	692	902	579	1 498	1 479	1 790	+2 141

Source: For the Community countries: Eurostat, unless otherwise stated; for the United States and Japan: national sources.

<sup>1</sup> National sources, except in the cases of the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in the methods of seasonal adjustment, the change in the EC index, adjusted by Eurostat and given in Table 1, may differ from the change in the EC index obtained by aggregation of the national indices. The figures are corrected for the number of working days. Excluding building and construction and, in the case of France, the foodstuffs and beverages industry.

<sup>2</sup> For the most recent figure given in the Table.

<sup>3</sup> From January 1979: new series.

<sup>4</sup> As percentage of the total labour force.

<sup>5</sup> Monthly series calculated by linear interpolation.

## Major economic policy measures — November 1981

### Community (EC)

26-27.11 The European Council in London held a detailed discussion on the three chapters of the 30 May 1980 mandate, VI3: the development of community policies, the common agricultural policy, and the structure of the Community budget.

### Belgium (B)

The Banque Nationale lowered the interest rate on Treasury certificates in several stages, bringing the one-month rate down from 15 to 14.50%.

### Denmark (DK)

24.11 Parliament authorized the government to levy taxes and to pay current expenditure in 1982 on a provisional basis until the budget for 1982 is adopted by a newly constituted parliament.

24.11 Temporary loan guarantees of the order of 100 million kr. for settlement date payments due last December, concerning some 2 000 farmers, were granted by Parliament.

25.11 Danmarks Nationalbank and the private banks agreed upon an overall ceiling for bank lending valid for a 12 month period from end September 1981. The general increase in lending is not to exceed the September figure by more than 10%. The agreement extends the existing arrangement adopted in November 1980 and adjusted in April 1981.

### FR Germany (D)

11.11 The Länder have agreed to increase the rate of royalty on domestic oil and gas production from 22% to 32%.

### Greece (GR)

22.11 The Government presented to Parliament its action programme for the next four years. Its fundamental objectives, namely autonomous social and economic growth and improved social justice, are to be achieved by a greater degree of planning, extending to regional level and with active participation by the public. For the immediate future, the Government will concentrate on fighting inflation, in particular by controlling prices at the production and marketing stages. Nevertheless, certain social measures will be applied, irrespective of their impact on inflation, including automatic wage indexation, the annual indexation of income tax bonds and the raising of pensions and other social benefits. Greater attention will be paid to credit policy, in which the Bank of Greece will have a leading role. The increased expenditure will be funded mainly out of an assault on tax evasion. Public utility charges will be increased in stages, so that public enterprises can eliminate their huge deficits.

Private firms will benefit from a renewed system of aids which will go mainly to help small and medium-sized enterprises. Energy, public transport, large mining enterprises, shipyards, the steel, cement and fertilizer industries, pharmaceuticals and all industries connected with national defence are to be brought under public control. Immediate measures are to be taken for the public control of the banking system.

### France (F)

5.11 Parliament adopted a number of tax measures: an increase averaging 25% in motor vehicle tax scales; introduction of taxes on advertising, gaming machines and certain categories of wine; a 6% increase in the duties on spirits; an end to the remission of tax on agricultural motor fuels; introduction of two agricultural taxes, one on cereals, the other on colza and sunflowers; a FF 0.50 per hectolitre increase in the dues accruing to the support fund for hydrocarbons (Fonds de soutien aux hydrocarbures); introduction of dues on resources of the sea-bed (3.75% per net tonne of products extracted; a 12.75% increase in annuities; a 2 percentage point increase in tobacco duties.

10.11 The Cabinet adopted a four-point plan for financing the social security fund deficit:

1. *Savings*: FF 3 800 coming mainly from improved hospital management and cutting the cost of a day's hospitalization (some FF 2 500 million), and from a contribution by laboratories and pharmacies (FF 1 000 million).
2. *Employee contribution*: FF 16 850 million, in the form of a 1 percentage point increase in health insurance contributions (FF 14 000 million) and the ceiling being raised every six months (FF 1 000 million). As an accompanying measure, non-wage earners' family allowance contributions will gradually be aligned on those of wage-earners (FF 1 000 million). Insured persons receiving unemployment benefit higher than the minimum wage (SMIC) will contribute 1% thereof to health insurance (FF 600 million).
3. *Employer contribution*: (FF 15 600 million): 3.5 percentage point increase in the upper limit on the employer contribution from November (FF 9 100

million); contributions ceiling to be raised every six months (FF 3 500 million); sums owing by employers to be recovered (FF 3 000 million).

4. *Budget contribution*: appropriation in the 1982 budget (FF 1 500 million); allocation of the doubling of the tax on motor insurance (FF 1 000 million).

10.11 The accommodation allowance is to go up by 25% on 1 December 1981; the minimum old age pension and the handicapped adult allowance will be increased from FF 1 700 to FF 2 000 a month, on 1 January 1982.

21.11 The President of the Republic unveiled the new family policy and announced the measures involved, which will take effect in 1982:

- increase in family allowances which will now vary according to the number of children: two-child families will benefit most, their allowances increasing by 42 to 64.5% depending on the children's ages, while the increase for three-child families will be in line with inflation;
- an end to the supplementary birth grant from the third child, but retention of a standard FF 5 400 post-natal allowance;
- introduction of a FF 150 monthly allowance for the last dependent child;
- doubling of the upper means limit below which working couples are eligible for family income supplement;
- reform of tax on furnished accommodation and introduction of temporary assistance to families in difficulties under the social assistance for children scheme;
- standardization of the orphans allowance which is increased from FF 280 to 373 per child.

For 1982, FF 4 000 million will be devoted to family assistance. The sums required to increase benefits in line with inflation will be additional to this amount.

25.11 The draft law was adopted which empowers the Government to pass by order social measures to promote employment. This power will run until the end of March 1982; draft laws ratifying the orders must be lodged with the bureau of Parliament by 30 April 1982 at the latest.

Measures concerning the following matters will be passed by order:

- changes to and reduction of the number of hours worked per week (the target being 35 hours in 1985);
- lowering of the optional retirement age to sixty;
- the problem of drawing a retirement pension while continuing in paid employment (prohibited when means exceed a certain ceiling);
- vocational training and the integration into society of young people between the ages of 16 and 18;
- insecure forms of employment (temporary work);
- the general lengthening of holidays and introduction of the 'holiday voucher';
- the social measures accompanying solidarity contracts, i.e. exemption from social security contributions when actual working hours are appreciably reduced and extension of solidarity contracts to local authorities.

### Ireland (IRL)

As part of the package of income-tax concessions promised by the Government, administrative procedures have been put under-way to pay a weekly IRL 9,6 to housewives with effect from April next year.

### Italy (I)

10.11 Parliament finally approved a law granting a 3% cut in personal income tax on incomes of LIT 30 million and under, the measure will be retroactive for 1981. Certain existing allowances, notably for dependent spouses, were also raised.

### Luxembourg (L)

23.10 Parliament adopted a draft law increasing the Guarantee Institute (Del Credere Office) endowment from LFR 400 million to LFR 800 million and setting up a special del credere insurance fund for the State's account, in order to assist exports.

30.10 The Government authorized a number of price increases, including those of petroleum products, and higher railway fares and telephone charges.

### Netherlands (NL)

19.11 Following the fall in money market interest rates, the Nederlandsche Bank brought the interest surcharge payable by banks on large operations down from 1½% to 1%.

### United Kingdom (UK)

None.

## Price (excluding VAT) in Luxembourg

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